

United States Senate

COMMITTEE ON COMMERCE, SCIENCE,
AND TRANSPORTATION

WASHINGTON, DC 20510-6125

May 20, 2009

Robert Nardelli
Chief Executive Officer
Chrysler LLC
P.O. Box 21-8004
Auburn Hills, MI 48321

Fritz Henderson
Chief Executive Officer
General Motors Corporation
P.O. Box 33170
Detroit, MI 48232

Dear Mr. Nardelli and Mr. Henderson:

I am writing to express my deep concern with Chrysler's and General Motors' (GM) recent announcements to terminate franchise agreements with 789 and roughly 1,100, respectively, automobile dealerships across this country and to urge both of you to reconsider these decisions. It is my belief that we must work to keep as many of these businesses open as possible, and at the very least assist these dealerships, the employees, and their loyal customers transition as we move forward in this process.

Between Chrysler and GM, it appears that approximately 100,000 jobs nationally are at risk as a result of the dealership closings. In West Virginia, 17 of 24 Chrysler dealerships have been told their franchises will end on June 9, 2009, while a publicly undisclosed number of GM franchises were notified that their agreements will stop in October 2010. This puts hundreds, if not thousands, of employees' jobs at risk and will have a crippling impact on local communities across the State as less tax revenue will likely translate into cuts in important and much needed government services, especially during these challenging economic times.

The egregious timeframe and terms of these franchise terminations seem unprecedented to me. As you both know, most auto dealers have a few months of inventory of new vehicles on their lots, though some may have up to six-months worth. This means if the dealers stopped adding cars to their inventories last week when GM and Chrysler announced their decisions, they would still be able to sell cars for six months before they run out. From what I have been told, Chrysler will not buy back this inventory of vehicles or even parts and instead has arranged for the remaining dealers to buy the unsold cars from dealers set to lose their franchises. So come June 10th, terminated dealers will only be able to sell that inventory to remaining dealers, likely at substantial losses since they may well have backlogs of inventory themselves. While GM has at this point agreed to allow its terminated dealers to continue to sell vehicles until October 2010, I am concerned that this deadline will be moved up if GM enters bankruptcy as many expect.

Such franchises face a similar situation when it comes to large inventories of parts and manufacturer-related tools. From discussions with these dealership owners, it appears that some of this inventory may have been accepted as a result of manufacturer pressure to purchase additional, unneeded stock, possibly in order to help the companies avoid bankruptcy. Now these dealerships will likely have no other alternative but to sell their stock of parts and tools to surviving dealers for pennies on what they paid.

I am also worried about the negative impacts of your companies' decisions on consumers who have warranties and service contracts, especially in rural areas like West Virginia. Many families have consistently bought cars from the same dealership in their local community and have built long-term relationships with the dealership's owner. Now these West Virginians will be forced to travel unreasonable distances due to the local dealership having their franchise agreement terminated. In some cases, customers will be in the untenable position of having to drive over an hour to simply have their cars serviced and their warranties honored.

While I understand that as part of GM's and Chrysler's restructurings you may need to examine your dealership contracts, I urge you to reconsider your decisions to terminate these franchise agreements. As two companies that have received billions of dollars in Troubled Assets Relief Program (TARP) funding, I would hope at the very least that Chrysler will establish a more reasonable transition period that will allow its terminated franchises to stay open beyond June 9th. I would also hope that regardless of whether it enters bankruptcy, GM will honor its commitment to allow terminated dealers to remain open until October 2010. Both of these actions would permit dealerships to sell most of the inventory of their vehicles, parts, and tools; maintain their used vehicle businesses and service and repair centers; allow consumers to continue to have access to quality service and the honoring of warranties and service contracts; and keep job losses to an absolute minimum.

Thank you for your urgent attention to these important matters. I look forward to receiving prompt responses from you both

Sincerely,


John D. Rockefeller IV

cc: Timothy Geithner, Secretary of the Treasury
Lawrence Summers, Director of the National Economic Council
Steven Rattner, Presidential Task Force on the Auto Industry
Ronald Bloom, Presidential Task Force on the Auto Industry
Edward Montgomery, Director of Recovery for Auto Communities and Workers